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SHANGHAI MARKET CONDITIONS, NOVEMBER 1950

Previous monthly market reports have indicated that in a situation in which prices are relatively stable, private businessmen are more likely to seize upon certain commodities. Such blind and bold speculation was very apparent in the November 1950 market involving the following commodities:

The coal supply in 1950 has been quite sufficient since last April, as indicated by the monthly coal inventory surplus of the China Coal Company. Consequently, prices have been stable. To consider the manufacturing, transportation, and marketing interests, on the one hand, and to lighten the consumers' burden, on the other hand, the Ministry of Fuel Industry of the Central People's government reduced the wholesale prices of coal supplied by the government-owned companies by 24.24 percent in the North China Regional Area, effective in mid-September, and by 21.53 percent in the East China Area, effective the first of September.

To conform with such a spirit, the Shanghai Coal Company made several price adjustments last October. For example, by breaking down the month of October into three 10-day periods and using the 10-day average for each as a basis for comparison, the wholesale price for Yang-ch'uan coal was found to be 400,000 yuan per ton in the first 10 days of October, 404,000 yuan in the second, and 390,000 yuan in the third. The retail price for the same product was 488,000 yuan during the first period and 485,000 yuan during the second.

The free market wholesale price for coal in the first 10-day period of October was 425,000 yuan. This difference from the official price is obviously normal. However, it rose to 429,000 yuan during the second 10-day period, and

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<b>STATE</b>	X	<b>NAVY</b>	X	<b>NSRB</b>	<b>DISTRIBUTION</b>					
<b>ARMY</b>	X	<b>AIR</b>	X	<b>FBI</b>						

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then to 435,000 yuan in the third. This shows that the rate of increase for the second period was 3.66 percent, while for the third it reached as high as 11.54 percent.

In the first 10-day period of November, the free market price for Yang-ch'uan coal reached 700,000-800,000 yuan per ton, which is almost twice as much as the official price. The retail picture is worse. The retail price on the black market was 26,000-27,000 yuan per picul, which is 20-30 percent higher than the official price of 19,300 yuan. Following the artificial price rise of Yang-ch'uan coal, the price of coal briquettes jumped considerably, from 25,000 yuan to 30,000 yuan on the black market, while the price authorized by the Coal Producers' Association was 22,500 yuan, a difference of about 6 percent.

## 2. Bleaching Powder

The city of Shanghai consumed about 6,870 boxes of bleaching powder in July 1950, while the local chemical industry produced about 6,900 boxes. The total supply would have been approximately 8,000 boxes if all stocks had been included in July. Apparently there was an abundant supply, since the supply from private and public sources amounted to 9,400 boxes, while the sales volume was only 7,200 boxes. Yet, as a result of speculation by merchants who claimed either that Manchurian orders were forthcoming or that there was going to be a shortage in local supply, the price of bleaching powder went up considerably, from 400,000 yuan per box during August 1950 to 440,000 yuan in September 1950, then climbed to 600,000 yuan in October 1950, and finally jumped to a new high of 800,000 yuan in mid-November.

Actually, the local supply can meet the demand, and there is no sign of a shortage, since, according to our above-mentioned estimate, there is a monthly sales volume of only 7,000 boxes, while the supply exceeds 9,000 boxes. As to the cost of production, it is estimated that the real cost is only 300,000 yuan per box. This would mean that even at the market price in August of 400,000 yuan per box, the merchants would have made very good profits. Thus, the present speculation points out unmistakably that the merchants are really avaricious.

## 3. Glass

The local market for glass has been greatly strengthened in past months with a monthly sale of about 10,000 boxes. As the inventories began to accumulate in the stores, there was a fair equilibrium between demand and supply. However, because purchased orders did not reach the retailers on schedule, the businessmen were able to create a shortage by withholding the supply. Consequently the price of thin glass jumped from 150,000 yuan to 300,000 yuan during the first 2 weeks of November 1950.

The wide range of fluctuation of the above-mentioned commodities is almost without precedent in recent months.

## Firms Speculating in Coal

Among the three fluctuating commodities, coal has been the one with the widest range and greatest influence, since it is one of the basic commodities. According to the Shanghai Hsin-wen Jih-pao, 17 November 1950, business firms found to be hoarding and speculating in coal were as follows:

1. The Jui-ta Coal Company, 24 Wu-ting Lu (Road), was hoarding 605 tons of coal, which is 380 percent over its average monthly sale of 126 tons from November 1949 to October 1950.

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2. The Ta-ming Coal Company suddenly raised its inventory to 250 tons, as recorded on 7 November, while its books showed just over 10 tons on 26 July and 24 August 1950.

3. The Shanghai Hsin-chi Coal Company and the Min-sheng Coal Company raised the price of Yang-ch'uan anthracite coal to 700,000 yuan per ton.

From the above brief items we can see clearly the real intention of these speculators. Speculation in coal led the citizens into scare buying of other commodities. Let us examine one by one the seven daily necessities, rice, vegetable oil, sugar, flour, cotton yarn, cloth, and coal, from the standpoint of sales. The sale volumes of rice and coal in the first week of November 1950 increased only 1.5 percent and 3.2 percent, respectively, as compared to the fourth week of October, while the rest of these commodities even showed declining sales.

However, during the second week of November all these commodities except cotton yarn showed tremendous increase in transactions: vegetable oil, 70.18 percent; flour, 22.52 percent; coal, 14.39 percent; sugar, 13.91 percent; cotton cloth, 2.21 percent; and rice, 6.18 percent. Such a rapid increase in commodity transactions can only be attributed to the fluctuation in coal as a result of speculation, since such increases came at a time when the money market was tight, the government having stopped the cashing of checks in banks, and the banks having started to restrict their lending.

#### Effect of Korean War and Good Harvests

Why did the merchants choose this very moment to confuse the public? In the first place, since the Korean War began, US aircraft have constantly trespassed the Chinese border, creating a strong feeling among the Chinese people for the support of the North Korean people against the American imperialists. It so happens that during that tense period the government temporarily suspended the rationing of Yang-ch'uan coal. Taking advantage of these circumstances, special agents of the KMT and the treacherous merchants were stepping up their efforts to undermine the people's livelihood by spreading rumors which would lead to higher prices and create confusion. In the second place, this year's good crops, as they did last year under somewhat different circumstances, offered a good opportunity for the merchant and industrial classes to exploit the peasants.

#### Government Takes Steps

In coping with the speculators, the People's government has put greater emphasis on education than on punishment. During November 1950, when prices of certain commodities were rising sharply, the government took the following steps:

1. It kept the public informed of the menace of speculators and kept the speculators under surveillance. Such measures proved to be very effective. For example, when the rush on coal was under way early this month [November 1950], the sales volume reached as high as 2,700 tons daily. After an investigation of coal dealers, the volume dropped to 1,400 tons on 14 November, then to a low of 400 tons on 17 November. Consequently, the price of coal became stable.

2. The government-owned coal companies stepped up deliveries and at the same time improved their administration. They defined more clearly the scope and methods of their business. In dealing with coal wholesalers, they entrusted the Coal, Fuel, Wood and Charcoal Industry Association with the responsibility of arranging better distribution.

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3. The Municipal Bureau of Commerce and Industry invited representatives of the Glass Industry Association to discuss price stabilization of their product. They reached the conclusion that the rise in price is based on the abnormal attitude of member firms, that such a rise is illegal, and that it calls for immediate adjustment. As a result of this meeting, all member firms volunteered to reduce their prices, as a first step, to 320,000 yuan per box, which is about 26 percent lower than the market price.

4. In dealing with deliberate violations of the Centralized Textile Exchange Regulations, the most serious cases should be brought to a People's Court, while the less serious offenders should be suspended for a certain period from the Textile Exchange or be given verbal warnings.

As a result of the cooperation given by the people and the industrial leaders to their government, prices of those commodities which rose in the mid-November period as a result of speculation have been gradually forced back. Furthermore, market transactions have, as a rule, dropped. For instance, in the third week of November, as compared with the preceding week, when rush buying occurred, sales of vegetable oil dropped 80.44 percent, cotton cloth 38.39 percent, bituminous coal 28.87 percent, and sugar, cotton yarn, and rice all diminished by about 12 percent.

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